

NOF

UPDATE ON NETWORK OF FUNDS INITIATIVE FOR THE G8/BMENA MEETING IN SHARM AL SHEIKH – 21 MAY, 2006.

Four technical working groups in the areas of private sector development, infrastructure, human development and trade, were created last year under the NOF Initiative. These working groups met at the AMF premises on March 21-22, 2006, which were attended by representatives from the Arab Monetary Fund, EIB, Kuwait Fund, Islamic Development Bank, IMF, World Bank, OPEC Fund and Arab Trade Financing Program. Following two days of discussion, including information sharing on ongoing activities, identification of challenges and sharing of experience, the groups suggested a number of opportunities for further collaboration. All participants noted the presence of significant existing programs in all of these areas, particularly bilateral assistance and the importance of not interfering with ongoing efforts. To this end a number of initiatives were identified in the four principal areas with the aim of leveraging the potential value added of the NOF-as a forum for dialogue and cooperation between regional and global financial institutions which could work together informally on a number of regional activities. Participants discussed the possibility of using the Arab Payments System initiative as a prototype for collaboration, to the extent that is demand driven, based on a detailed stock taking undertaken on a joint basis among participating institutions in each Arab country and identifies follow-up actions to be implemented at the country and individual institution level.

A. Private and financial Sector Development: (Co-chaired by: AMF, EIB)

Participants noted the presence of significant existing programs in this area, particularly bilateral assistance and the importance of not superseding ongoing efforts. To this end, two initiatives were identified.

- **Arab Bond Market Development Initiatives.** The outcome is a stronger capital market in the region, an area generally recognized as needing significant strengthening. The project will be demand driven and consist of a detailed stocktaking undertaken on a joint basis for each Arab country. This will identify follow up actions which will be allocated to individual institutions for follow up.
- **Arab Housing Finance promotion Initiative.** The outcome will be a stronger housing finance market which will have a positive impact on the capital markets as well as SME development – Housing finance being the key way entrepreneurs finance start up and initial investment. The project will follow the Bond Market process.

B. Infrastructure: (Chaired by IDB)

Participants noted the importance increasing project and sector financing in infrastructure, encouraging regional projects and programs such as subregional transport infrastructure among interested countries, enhancing public private partnerships and the use of structured finance and associated technical assistance as well as innovations needed to enhance sustainability of current activities such as the increased use of road funds, beneficiary surveys and public involvement in the transport sector. It was agreed, however, that there was one high priority activity for infrastructure, which is **water initiative**.

Ensure achievement of the Water Millennium Development Goal. Given the rapid deterioration of available water for people in the MENA region, concerted efforts would be needed to ensure adequate water availability by 2015. Participants noted the presence of many ongoing water programs but agreed that there would be value in a joint exercise to take stock of existing programs on a joint basis for interested countries to determine the best way of meeting the Water MDG target.

C. Human Development: (Chaired by World Bank)

Participants identified activities which would enhance the development impact and results orientation of education projects in the MENA region including:

- **Fostering a Regional Network of Education Research and Policy Institutes** to enhance the basis of information and research tools and capacities in the area of education. This would entail strengthening existing institutes to carry out policy research on impact and establish a results-orientation of projects at the country level. The regional network will also twin with reputable institutions outside the region to enhance its capacity.
- **Regional Capacity Building Activities in Education**, This activity would address the fact that there are few training courses on education sector reform that are region-specific, in Arabic and carried out in the region for middle level policy makers in the education sector. It will establish a series of training modules on education sector reform for the region to be carried out by local institutions on a regular basis. It will also include staff exchange between other countries to share experience.
- **Enhancing the quality of Math and Science Education** at the Secondary Level-strengthening the quality of math and science education is a challenge for all countries seeking to compete in a globalized economic system. This proposal will support a series of regional activities to enhance the quality of the math and science curriculum at the secondary level including teacher training, curriculum reforms, twinning with countries strong in math and science education, etc. It will also work with interested countries to improve ranking in international exams in math and science (TIMSS).

D. Trade (Co-chaired by: AMF & IMF)

Participants discussed the importance of supporting ongoing progress on tariff and nontariff barrier reduction as well as accelerating integration with the global economy and promoting exports. Three initiatives which could support these aims were identified and include

- **JITAP (Joint Integrated Technical Assistance Program In International Trade)** aims at helping MENA countries integrate into the multilateral trade system and would support MENA country accession to the WTO.
- **Strengthen GAFTA as a source of regional integration** which could help to accelerate domestic reforms to underpin efforts at multilateral liberalization. Immediate efforts. This would include giving technical support to the Arab League Secretariat which monitors implementation of the GAFTA agreement.
- **Enhance access of SME exporters to trade finance** by ensuring appropriate insurance and guarantees needed to gain access to export credit. The suggestion was also made to invite MENA Export Credit Guarantee Agencies to participate in the working group.

Appendix I.

General Principles for the Network of Funds

Objectives

The objectives of this partnership are to coordinate policies and assistance in line with agreed national and regional development priorities for the countries of the region. To achieve this objective, the NOF will conduct information sharing on current and upcoming activities, policy dialogue and collaboration as well as to identify joint technical and financial initiatives where appropriate. The NOF seeks to enhance rather than duplicate other coordination mechanisms and fora by creating a venue for multilateral coordination in the region, as well as encouraging regional initiatives, cross sectoral approaches, proactive engagement with the private sector and others. Participants will participate in these projects according to the specific mandates of each institutions and line of their business.

Membership

The Network of Funds is open to all financial institutions active in the region.

Modalities

An existing regional institution will serve as the anchor to provide support to the meetings and working groups under this initiative.

The NOF will meet twice a year at a High Level Representatives level concurrent with the World Bank and IMF Annual/Spring Meetings. It will decide on and review progress on joint initiatives as well as identify important issues facing the region as input for the Ministerial meeting. Each institution nominates a representative to serve on the deputy level working group.

The deputy level working group will prepare the agenda and input for the High Level Representatives meeting, share information on current and upcoming activities and propose new activities.